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FISCAL IMPACT STATEMENT

LS 6519 | **NOTE PREPARED:** Mar 29, 2007
BILL NUMBER: HB 1824 | **BILL AMENDED:** Mar 29, 2007

SUBJECT: Energy Company Regulation.

FIRST AUTHOR: Rep. Pelath | **BILL STATUS:** CR Adopted - 2nd House
FIRST SPONSOR: Sen. Gard

FUNDS AFFECTED: X GENERAL | **IMPACT:** State & Local
X DEDICATED
FEDERAL

Summary of Legislation: (Amended) This bill amends the definition of "clean coal technology" in various statutes. The bill defines the term as a technology used at an electric or a steam generating facility to reduce airborne emissions that are regulated, or reasonably anticipated by the Utility Regulatory Commission (IURC) to be regulated, by the federal government, the state, or a political subdivision of the state. (The current definition includes only technologies that reduce sulfur or nitrogen emissions.) This bill allows an existing electric or steam generating facility to petition the IURC for approval of a regulated air emissions project. The bill requires the IURC to: (1) approve the project if the IURC finds, after notice and hearing, the project to be reasonable and necessary; and (2) provide certain financial incentives for the project. The bill also provides financial incentives for an electric utility's implementation of conservation and load management programs. This bill requires the IURC to: (1) create specified financial incentives for investments in conservation and load management programs; and (2) review applications by electric utilities for the incentives created. The bill also requires the IURC, upon the request of the county executives of three or more counties that are located in an electric utility's service area, to study the feasibility of establishing a regional public power authority to: (1) acquire the assets of an electric utility providing retail electric service on April 1, 2007, in specified counties in Indiana; (2) own and operate the assets acquired; and (3) act as a nonprofit utility to provide retail electric service to customers within the participating units. This bill requires the IURC to report its findings not later than December 31, 2007, to: (1) the Regulatory Flexibility Committee; (2) the Legislative Council; and (3) the county executive of each county in the electric utility's service area on April 1, 2007. The bill authorizes the Regulatory Flexibility Committee to recommend any legislation necessary to establish a regional public power authority in Indiana.

Effective Date: July 1, 2007.

Explanation of State Expenditures: (Revised) This bill will cause an indeterminable increase in administrative costs of the IURC.

The bill requires the IURC to do the following:

(1) Develop a mechanism for approving the regulated air emissions projects that qualify for the financial incentives provided in the bill. The bill will also require the IURC and Office of the Utility Consumer Counselor (OUCC) to develop an additional rate adjusting mechanism for qualifying utilities. These provisions are not expected to have a significant impact on the IURC or OUCC since similar procedures are already in place for clean coal and energy projects under IC 8-1-8.8-11.

(2) Create incentives, as listed in the bill, for the implementation of conservation and load management programs.

(3) Study the feasibility of establishing a regional public power authority. The bill requires this study to then be reported to: (1) the Regulatory Flexibility Committee; (2) the Legislative Council; and (3) the county executive of each county in the electric utility's service area on April 1, 2007.

State governmental entities would be subject to any increases in utility costs caused by the provisions in this bill. Depending on the cost recovery incentives implemented by the IURC, there could be an increase in utility rates.

Background on IURC Funding: The operating budgets of the IURC and OUCC are funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the two agencies' budgets, less reversions, divided by the total amount of gross intra-state operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.15% of their gross intra-state operating revenues to fund the IURC and OUCC. In FY 2006, fees from the utilities and fines generated approximately $11.8 M.

Explanation of State Revenues: (Revised) To the extent that the cost recovery incentives developed by the IURC allow for a rate increase, there could be an increase in Utility Receipts Tax and Utility Services Use Tax.

Explanation of Local Expenditures: (Revised) Local governmental entities, including schools, would be subject to any increases in utility costs caused by the provisions in this bill.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: All.

Information Sources:

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